

## Message Text

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ACTION EUR-12

INFO OCT-01 ISO-00 CIAE-00 PM-04 INR-07 L-03 ACDA-05

NSAE-00 PA-01 SS-15 PRS-01 SP-02 USIA-06 TRSE-00

SAJ-01 NSC-05 EB-07 OMB-01 TAR-01 /072 W

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R 141700Z NOV 75

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TO SECSTATE WASHDC 4602

SECDEF WASHDC

INFO JCS WASHDC

USCINCEUR

AMEMBASSY PARIS

NSSG SHAPE

USNMR SHAPE

C O N F I D E N T I A L SECTION 1 OF 2 USNATO 6209

E.O. 11652: GDS

TAGS: MARR NATO

SUBJECT: CENTRAL EUROPE PIPELINE POLICY COMMITTEE (CEEPC)

MEETING IN BRUSSELS, 13 NOVEMBER 1975

BEGIN SUMMARY. IN ONE OF ITS MORE PRODUCTIVE MEETINGS RECENTLY, CEEPC ADDRESSED QUESTIONS OF FRENCH CIVIL TARIFFS, FRENCH AUDIT PROBLEMS, AND PAYMENTS TO TRAPIL. NEW APPROACHES EMERGED WHICH PROMISE TO BRING THESE SUBJECTS TO RESOLUTION IN THE NEAR FUTURE. CEEPC DECIDED THAT THE INITIAL APPOINTMENT OF THE NEW DIRECTOR OF FINANCE WILL BE FOR THREE YEARS AT THE NATO GRADE OF A-6.  
END SUMMARY.

1. ITEMS OF PRINCIPAL INTEREST REPORTED BELOW AND KEYED TO AGENDA ITEMS:

I. APPROVAL OF SUMMARY RECORD AC/120-R/220. DISCUSSION OF PARAGRAPH 12 OF THE RECORD LED TO LONG DISCUSSION CONCERNING FRENCH RELUCTANCE TO PROVIDE ANY EXPLANATION OF ELEMENTS CONTRIBUTING TO TARIFF DECISIONS. AFTER LONG REPETITION OF THE CONFIDENTIAL

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HISORIC FRENCH POLICY AGAINST PUBLICATION OF TARIFF SETTING METHODS, FRENCH REP (GENTILHOMME) NEVERTHELESS AGREED THAT IN THE NEAR FUTURE HE WOULD ATTEMPT TO PROVIDE A BRIEFING TO THE COMMITTEE AS A KIND OF CONFIDENCE BUILDING MEASURE SO THAT THE COMM-

ITTEE CAN APPROVE BASIC TARIFFS AND FUTURE MODIFICATIONS WOULD BECOME MORE ROUTINE.

II. DAMAGE TO STRASBOURG-KEHL PIPELINE. GENERAL MANAGER CENTRAL EUROPE OPERATING AGENCY (CEOA) (VERBOIS) PRESENTED HIS ASSESSMENT OF ACTION TO BE TAKEN FOR THE REPAIR OF THE ALTERNATE RHINE RIVER CROSSING AT STRASGOURG. COSTS FOR THE REPAIR ARE ESTIMATED AT FRECH FRANCS 2.8 MILLION. GENERAL MANAGER CONSIDERED THAT SUFFICIENT INVESTIGATION HAD TAKEN PLACE AND THAT THE PROPOSED SOLUTION FOR BYPASSING A SECTION OF THE PIPE ON THE FRENCH BANK OF THE RHINE WAS A REASONABLE AND COST EFFECTIVE SOLUTION. HE REQUESTED APPROVAL BY THE COMMITTEE. US REP (LOVELAND) NOTED THAT THERE WAS NO INDICATION THAT USE OF THE LINE BY THE CENTRAL EUROPE PIPELINE SYSTEM (CEPS) HAD CONTRIBUTED TO THE DAMAGE. IT WAS EITHER CAUSED BY A THIRD PARTY OR BY AN QUOTE ACT OF GOD UNQUOTE. RESPONSIBILITY THEREFORE LAY IN THE INFRASTRUCTURE PROGRAM. AFCENT REP (PROBYN) SAID THAT SHAPE MIGHT RESIST INFRASTRUCTURE PROGRAMMING OF THE REPAIRS IN VIEW OF SHORTAGE OF FUNDS IN THE INFRASTRUCTURE PROGRAM. COMMITTEE WAS UNANIMOUS IN ITS OPINION THAT THE EXISTENCE OF A SECOND CROSSING WAS IN COMPLIANCE WITH MILITARY RATHER THAN OPERATIONAL REQUIREMENTS. SINCE THE CEPS HAD NOT CONTRIBUTED TO THE DAMAGE, REPAIR OF THE CROSSING WAS DEPENDENT ON CONTINUING MILITARY REQUIREMENT AND NECESSARY FUNDING. COMMITTEE REQUESTED THAT GERMANY SUBMIT A PROJECT FOR SLICE XXVIII AND RECOMMENDED THAT AFCENT FORWARD THE PROJECT TO SHAPE FOR APPROVAL. COMMITTEE AGREE THAT CEPS FUNDS COULD BE ADVANCED TO PREFINANCE THE WORK IF AFCENT AND SHAPE RECOGNIZED THE URGENCY (PARTICULARLY ON THE OFF CHANCE THAT THIRD PARTY LIABILITY MIGHT BE REVEALED IF INVESTIGATIONS AND REPAIRS ARE CARRIED OUT IN 1976).

III. COST ESTIMATE OF CEPS SERVICES: INCREASE OF STORAGE TARIFF. GENERAL MANAGER PRESENTED CEOAS ESTIMATE OF BREAK OUT OF CEPS COSTS BETWEEN MOVEMENT, STORAGE AND HANDLING (AC/120-D/934). DRAWING ON FACTS PROVIDED BY CEOA, DIRECTOR OF FINANCE (MORRIS), US REP QUESTIONED THE LOW PERCENTAGES OF STORAGE COSTS WHICH HAD BEEN CHARGED TO THE TRANSPORT AND HANDLING OPERATIONS. HE REQUESTED FURTHER INFORMATION FOR A FUTURE CONFIDENTIAL

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DISCUSSION. HE NOTED, HOWEVER, THAT EVEN USING CEOA FIGURES FOR COSTS AND COMPARING THEM AGAINST REVENUES AS STATED IN AC/120-D/930, STORAGE REVENUES COVERED SOME 82PCT OF THE APPLICABLE COSTS, WHEREAS THE PERCENTAGE FOR MOVEMENTS WAS 68 PCT AT BEST. HE BELIEVED THEREFORE THAT, FAR FROM PROVING THAT STORAGE TARIFFS SHOULD BE FURTHER INCREASE, CEOAS PRESENT STUDY INDICATED A MORE PRESSING NEED TO CONCENTRATE ON MOVEMENT TARIFFS. COMMITTEE REQUESTED FURTHER INFORMATION FROM CEOA FOR DISCUSSION AT JANUARY MEETING.

IV. SPECIAL REPORT BY NATO BOARD OF AUDITORS. THIS ITEM HAD BEEN PLACED ON THE AGENDA IN THE COMMITTEES CONTINUING EFFORT TO FIND SOME WAY FOR RECONCILING THE FRENCH AND NATO BOARD OF AUDITORS OPINIONS ON SPECIAL PAYMENTS TO TRAPIL

AND AUDITS IN FRANCE. NETHERLANDS REP (HOFMAN) OFFERED THE SERVICE OF MR DEN TURK (MOD REP TO CEPPC AND AUDITOR BY TRADE) TO ARBITRATE BETWEEN THE TWO PARTIES IN THE ATTEMPT (A) TO DEFINE THE PROBLEM, AND (B) TO ACHIEVE A MAXIMUM MEASURE OF ACCORD BETWEEN THEM. COMMITTEE ACCEPTED WITH GRATITUDE THE NETHERLANDS OFFER AND REQUESTED THAT DEN TURK KEEP THE COMMITTEE INFORMED OF PROGRESS.

V. OTHER BUSINESS.

A. THE COMMITTEE ACCEPTED WITH GRATITUDE THE WEEK OF 21 JUNE 1976 FOR THE WASHINGTON MEETING.

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B. THE CHAIRMAN (DUNCAN, CANADA) EXPLAINED THAT HE AHD NOT HAD TIME TO COLLECT AND PUBLISH THE PAPERS CONCERNING CEOA REORGANIZATION, THUS THE ITME WULD NOT BE DISCUSSED UNTIL JANUARY (DECEMBER MEETING IS DEVOTED TO 1976 BUDGET). HE NOTED, HOWEVER, THAT THE COMMITTEE OWED A REPLY TO THE US ON THE GRADE OF THE NEW DIRECTOR OF FINANCE. UK REP (PEYMAN) SAID THAT HIS AUTHORITIES WOULD NEED TO SEE THE NEW JOB DESCRIPTION BEFORE DECIDING ON GRADE. GENERAL MANAGER STATED THAT THERE WERE NO CHANGES FROM THE PREVIOUS JOB DESCRIPTION SINCE RESPONSIBILITIES WERE CONSTANT. BELGINA REP (DUPONT) WARNED AGAINST ANY EFFORT TO DISTURB THE DELICATE BALANCE IN POLICY LEVEL CEOA JOBS AMONG NATIONS NOT SHARING IN THE COMPETITION FOR THE GENERAL MANAGERS JOB (ROTATED BETWEEN BELGIUM AND THE NETHERLANDS). THE US (LOVELAND) STATED THAT THERE WAS NO GUARANTEE THAT THE US MIGHT NOT EVENTUALLY COMPLETE FOR THE TOP JOB AND THAT THE US SUPPOTED EFFORTS TO EFFECT SAVINGS IN THE CEOA BUDGET. THEY COULD NOT AGREE, HOWEVER, TO ANY PLAN

WHICH DETRACTED FROM THE RELATIVE IMPORTANCE OF THE FINANCE DEPARTMENT IN THE CEOA HIERARCHY. THE BELGIAN REP REMINDED THE COMMITTEE THAT THE CEPS BUDGET WAS CONSIDERABLY LARGER THAN CONFIDENTIAL

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NATO'S CIVIL BUDGET WHICH WAS ADMINISTERED BY TWO OFFICERS (INCLUDING THE FINANCIAL CONTROLLER), BOTH A-7. HE BELIEVED, THEREFORE, THAT THERE SHOULD BE NO CHANGE IN THE CEOA DIRECTOR OF FINANCE GRADE. THE NETHERLANDS AND FRG (THOLEN) REPS BELIEVED THAT THE POSITION MUST REMAIN AT THE A-6 LEVEL IN THE FORESEEABLE FUTURE. THE CHAIRMAN SUGGESTED A DECISION WHICH WOULD KEEP THE A-6 LEVEL FOR A THREE YEAR PERIOD (GEARED TO NORMAL US INITIAL APPOINTMENTS) WITH POSSIBLE REGRADING AFTER THAT PERIOD. BELGIAN, DUTCH, FRG AND FRENCH REPS OBJECTED TO ANY INDICATION OF POSSIBLE REGRADING. COMMITTEE AGREED TO APPOINTMENT OF MR MORRIS SUCCESSOR AT A-6 LEVEL FOR AN INITIAL THREE YEAR TERM.

C. BELGIAN REP (COL BIKAR) REQUESTED APPROVAL OF CHANGE IN EXISTING CONTACT TO ALLOW ESSO TO INTRODUCE PRODUCT AT PERNISE (NETHERLANDS) FOR TRANSPORT TO GLONS (BELGIUM) ON SAME TERMS AS FOR PRODUCT INTRODUCED AT ANTWERP (BELGIUM). WHILE CEOA HAD RECEIVED THE PROPOSAL 10 DAYS EARLIER, IT HAD ONLY BEEN REFERRED TO FINANCE DEPARTMENT ON 12 NOVEMBER, HENCE NO COST STUDY HAD BEEN MADE. NO ONE HAD BOTHERED TO NOTIFY NETHERLANDS AUTHORITIES BUT GENERAL MANAGER RECOMMENDED APPROVAL. BELGIAN REP EXPLAINED THE APPARENT ATTEMPT TO STAMPEDE COMMITTEE INTO APPROVAL BY STATING THAT BELGIAN TARIFFS HAD BEEN SET AT APPROXIMATELY TWICE THE BARGE RATES IN ORDER TO PREVENT SOCIAL UNREST. THUS CEPS LINES ONLY HANDLED COMMERCIAL FUEL FOR PEAK REQUIREMENTS OR IN CASES WHERE LOW WATER OR STRIKES PREVENTED TRANSPORT BY BARGE. US REP NOTED THAT IN SUCH CASES CEPS TENDED TO HAVE A MONOPOLY AND COULD SET ITS TARIFFS ACCORDINGLY. THE BELGIAN REP INDICATED THAT TRUCK TARIFFS FURNISHED THE LIMIT TO WHICH THE CEPS WAS ELDT. IN VIEW OF URGENCY OF BELGIAN REQUEST, COMMITTEE AGREED TO AUTHORIZE IT SUBJECT TO (1) CONCURRENCE BY DUTCH AUTHORITIES, (2) ARRANGEMENT TO REVIEW TARIFFS AT EARLY DATE, AND (3) CEOA REPORT ON COSTS VERSUS REVENUES.

D. FRENCH REP REPORTED THAT HIS AUTHORITIES HAD FINISHED THEIR STUDY CONCERNING THE CHARGING OF TRAPIL OVERHEADS. HE HOPED TO REPORT DETAILS TO COMMITTEE FOR DISCUSSION AT JANUARY 1976 MEETING. HE REQUESTED THAT US RESERVE ON PAYMENT OF QUOTE REGULARIZATION UNQUOTE OF TRAPIL OVERHEADS BE ALSO REVIEWED AT THAT TIME. US AGREED THAT ALL REPEAT ALL TRAPIL MATTER SHOULD BE RESOLVED AS SOON AS POSSIBLE.

E. FRG REP NOTIFIED COMMITTEE OF THE PROBLEM ENCOUNTERED. CONFIDENTIAL

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TERED IN PROGRAMMING OF PROJECT FOR ADDITIONAL SAFETY EQUIPMENT IN INFRASTRUCTURE SLICE XXVI. HE SAID THAT FRG HAD FORWARDED

REQUEST FOR FUNDS TO PAYMENTS AND PROGRESS COMMITTEE, NOT-  
WITHSTANDING SHAPES REFUSAL TO PROGRAM THE PROJECT, STATING THAT  
FAILURE TO ACCOMPLISH THE WORK WOULD RESULT IN WITHDRAWAL  
OF OPERATING LICENSES AND CLOSEDOWN OF OPERATIONS  
BY OCTOBER 1977. AFCENT REP NOTED THAT CEPO CHAIRMAN  
WAS WRITING A LETTER TO SHAPE NOTING DISSATISFACTION WITH FRG  
ACTION BUT PLEADING FOR SOME FLEXIBILITY IN SHAPES POSITION, AT  
LEAST TO EXTENT OF INCLUDING IAU 20,000 INSlice XXVI AS QUOTE  
PLANNING FUNDS UNQUOTE TO FORESTALL ANY FINAL FRG POSITION  
UNTIL THE MATTER COULD BE EXAMINED FURTHER. IN ANY CASE  
THIS SUBJECT WILL BE EXAMINED BY DPC ON 26 NOVEMBER IN  
CONJUNCTION WITH APPROVAL OF SLICE XXVI. STREATOR

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**To:** STATE  
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